

106TH CONGRESS
2D SESSION

S. 2583

To amend the Internal Revenue Code of 1986 to increase disclosure for certain political organizations exempt from tax under section 527.

IN THE SENATE OF THE UNITED STATES

MAY 17, 2000

Mr. LIEBERMAN (for himself, Mr. LEVIN, Mr. DASCHLE, Mr. MCCAIN, Mr. JEFFORDS, Mr. FEINGOLD, Mr. DURBIN, Mr. CLELAND, Mr. KERRY, Mr. TORRICELLI, Mr. KENNEDY, Mr. AKAKA, and Mr. BRYAN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase disclosure for certain political organizations exempt from tax under section 527.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. REQUIRED NOTIFICATION OF SECTION 527 STA-**
4 **TUS.**

5 (a) IN GENERAL.—Section 527 of the Internal Rev-
6 enue Code of 1986 (relating to political organizations) is
7 amended by adding at the end the following new sub-
8 section:

1 “(i) ORGANIZATIONS MUST NOTIFY SECRETARY
2 THAT THEY ARE SECTION 527 ORGANIZATIONS.—

3 “(1) IN GENERAL.—Except as provided in para-
4 graph (5), an organization shall not be treated as an
5 organization described in this section—

6 “(A) unless it has given notice to the Sec-
7 retary, electronically and in writing, that it is to
8 be so treated, or

9 “(B) if the notice is given after the time
10 required under paragraph (2), the organization
11 shall not be so treated for any period before
12 such notice is given.

13 “(2) TIME TO GIVE NOTICE.—The notice re-
14 quired under paragraph (1) shall be transmitted not
15 later than 24 hours after the date on which the or-
16 ganization is established.

17 “(3) CONTENTS OF NOTICE.—The notice re-
18 quired under paragraph (1) shall include informa-
19 tion regarding—

20 “(A) the name and address of the organi-
21 zation (including any business address, if dif-
22 ferent) and its electronic mailing address,

23 “(B) the purpose of the organization,

24 “(C) the names and addresses of its offi-
25 cers, highly compensated employees, contact

1 person, custodian of records, and members of
 2 its Board of Directors,

3 “(D) the name and address of, and rela-
 4 tionship to, any related entities (within the
 5 meaning of section 168(h)(4)), and

6 “(E) such other information as the Sec-
 7 retary may require to carry out the internal
 8 revenue laws.

9 “(4) EFFECT OF FAILURE.—In the case of an
 10 organization failing to meet the requirements of
 11 paragraph (1) for any period, the taxable income of
 12 such organization shall be computed by taking into
 13 account any exempt function income (and any de-
 14 ductions directly connected with the production of
 15 such income).

16 “(5) EXCEPTIONS.—This subsection shall not
 17 apply to any organization—

18 “(A) to which this section applies solely by
 19 reason of subsection (f)(1), or

20 “(B) which reasonably anticipates that it
 21 will not have gross receipts of \$25,000 or more
 22 for any taxable year.

23 “(6) COORDINATION WITH OTHER REQUIRE-
 24 MENTS.—This subsection shall not apply to any per-
 25 son required (without regard to this subsection) to

1 report under the Federal Election Campaign Act of
 2 1971 (2 U.S.C. 431 et seq.) as a political com-
 3 mittee.”.

4 (b) DISCLOSURE REQUIREMENTS.—

5 (1) INSPECTION AT INTERNAL REVENUE SERV-
 6 ICE OFFICES.—

7 (A) IN GENERAL.—Section 6104(a)(1)(A)
 8 of the Internal Revenue Code of 1986 (relating
 9 to public inspection of applications) is
 10 amended—

11 (i) by inserting “or a political organi-
 12 zation is exempt from taxation under sec-
 13 tion 527 for any taxable year” after “tax-
 14 able year”,

15 (ii) by inserting “or notice of status
 16 filed by the organization under section
 17 527(i)” before “, together”,

18 (iii) by inserting “or notice” after
 19 “such application” each place it appears,

20 (iv) by inserting “or notice” after
 21 “any application”,

22 (v) by inserting “for exemption from
 23 taxation under section 501(a)” after “any
 24 organization” in the last sentence, and

1 (vi) by inserting “OR 527” after “SEC-
2 TION 501” in the heading.

3 (B) CONFORMING AMENDMENT.—The
4 heading for section 6104(a) of such Code is
5 amended by inserting “OR NOTICE OF STATUS”
6 before the period.

7 (2) INSPECTION OF NOTICE ON INTERNET AND
8 IN PERSON.—Section 6104(a) of such Code is
9 amended by adding at the end the following new
10 paragraph:

11 “(3) INFORMATION AVAILABLE ON INTERNET
12 AND IN PERSON.—

13 “(A) IN GENERAL.—The Secretary shall
14 make publicly available, on the Internet and at
15 the offices of the Internal Revenue Service—

16 “(i) a list of all political organizations
17 which file a notice with the Secretary
18 under section 527(i), and

19 “(ii) the name, address, electronic
20 mailing address, custodian of records, and
21 contact person for such organization.

22 “(B) TIME TO MAKE INFORMATION AVAIL-
23 ABLE.—The Secretary shall make available the
24 information required under subparagraph (A)
25 not later than 5 business days after the Sec-

1 retary receives a notice from a political organi-
2 zation under section 527(i).”.

3 (3) INSPECTION BY COMMITTEE OF CON-
4 GRESS.—Section 6104(a)(2) of such Code is amend-
5 ed by inserting “or notice of status of any political
6 organization which is exempt from taxation under
7 section 527 for any taxable year” after “taxable
8 year”.

9 (4) PUBLIC INSPECTION MADE AVAILABLE BY
10 ORGANIZATION.—Section 6104(d) of such Code (re-
11 lating to public inspection of certain annual returns
12 and applications for exemption) is amended—

13 (A) by striking “AND APPLICATIONS FOR
14 EXEMPTION” and inserting “, APPLICATIONS
15 FOR EXEMPTION, AND NOTICES OF STATUS” in
16 the heading,

17 (B) by inserting “or notice of status under
18 section 527(i)” after “section 501” and by in-
19 serting “or any notice materials” after “mate-
20 rials” in paragraph (1)(A)(ii),

21 (C) by inserting or “or such notice mate-
22 rials” after “materials” in paragraph (1)(B),
23 and

24 (D) by adding at the end the following new
25 paragraph:

1 “(6) NOTICE MATERIALS.—For purposes of
 2 paragraph (1), the term ‘notice materials’ means the
 3 notice of status filed under section 527(i) and any
 4 papers submitted in support of such notice and any
 5 letter or other document issued by the Internal Rev-
 6 enue Service with respect to such notice.”.

7 (c) FAILURE TO MAKE PUBLIC.—Section
 8 6652(c)(1)(D) of the Internal Revenue Code of 1986 (re-
 9 lating to public inspection of applications for exemption)
 10 is amended—

11 (1) by inserting “or notice materials (as defined
 12 in such section)” after “section)”, and

13 (2) by inserting “AND NOTICE OF STATUS”
 14 after “EXEMPTION” in the heading.

15 (d) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as provided in para-
 17 graphs (2) and (3), the amendments made by this
 18 section shall take effect on the date of the enactment
 19 of this section.

20 (2) ORGANIZATIONS ALREADY IN EXISTENCE.—

21 In the case of an organization established before the
 22 date of the enactment of this section, the time to file
 23 the notice under section 527(i)(2) of the Internal
 24 Revenue Code of 1986, as added by this section,

1 shall be 30 days after the date of the enactment of
 2 this section.

3 (3) INFORMATION AVAILABILITY.—The amend-
 4 ment made by subsection (b)(2) shall take effect on
 5 the date that is 45 days after the date of the enact-
 6 ment of this section.

7 **SEC. 2. DISCLOSURES BY POLITICAL ORGANIZATIONS.**

8 (a) REQUIRED DISCLOSURE OF 527 ORGANIZA-
 9 TIONS.—Section 527 of the Internal Revenue Code of
 10 1986 (relating to political organizations), as amended by
 11 section 1(a), is amended by adding at the end the fol-
 12 lowing new section:

13 “(j) REQUIRED DISCLOSURE OF EXPENDITURES AND
 14 CONTRIBUTIONS.—

15 “(1) DENIAL OF EXEMPTION.—An organization
 16 shall not be treated as an organization described in
 17 this section unless it makes the required disclosures
 18 under paragraph (2).

19 “(2) REQUIRED DISCLOSURE.—A political orga-
 20 nization which accepts a contribution, or makes an
 21 expenditure, for an exempt function during any cal-
 22 endar year shall file with the Secretary either—

23 “(A)(i) in the case of a calendar year in
 24 which a regularly scheduled election is held—

1 “(I) quarterly reports, beginning with
2 the first quarter of the calendar year in
3 which a contribution is accepted or expend-
4 iture is made, which shall be filed not later
5 than the 15th day after the last day of
6 each calendar quarter, except that the re-
7 port for the quarter ending on December
8 31 of such calendar year shall be filed not
9 later than January 31 of the following cal-
10 endar year,

11 “(II) a pre-election report, which shall
12 be filed not later than the 12th day before
13 (or posted by registered or certified mail
14 not later than the 15th day before) any
15 election with respect to which the organiza-
16 tion makes a contribution or expenditure,
17 and which shall be complete as of the 20th
18 day before the election, and

19 “(III) a post-general election report,
20 which shall be filed not later than the 30th
21 day after the general election and which
22 shall be complete as of the 20th day after
23 such general election, and

24 “(ii) in the case of any other calendar
25 year, a report covering the period beginning

1 January 1 and ending June 30, which shall be
2 filed no later than July 31 and a report cov-
3 ering the period beginning July 1 and ending
4 December 31, which shall be filed no later than
5 January 31 of the following calendar year, or

6 “(B) monthly reports for the calendar
7 year, beginning with the first month of the cal-
8 endar year in which a contribution is accepted
9 or expenditure is made, which shall be filed not
10 later than the 20th day after the last day of the
11 month and shall be complete as if the last day
12 of the month, except that, in lieu of filing the
13 reports otherwise due in November and Decem-
14 ber of any year in which a regularly scheduled
15 general election is held, a pre-general election
16 report shall be filed in accordance with sub-
17 paragraph (A)(i)(II), a post-general election re-
18 port shall be filed in accordance with subpara-
19 graph (A)(i)(III), and a year end report shall
20 be filed not later than January 31 of the fol-
21 lowing calendar year.

22 “(3) CONTENTS OF REPORT.—A report re-
23 quired under paragraph (2) shall contain the fol-
24 lowing information:

1 “(A) The amount of each expenditure
2 made to a person if the aggregate amount of
3 expenditures to such person during the calendar
4 year equals or exceeds \$500 and the name and
5 address of the person (in the case of an indi-
6 vidual, include the occupation and name of em-
7 ployer of such individual).

8 “(B) The name and address (in the case of
9 an individual, include the occupation and name
10 of employer of such individual) of all contribu-
11 tors which contributed an aggregate amount of
12 \$200 or more to the organization during the
13 calendar year and the amount of the contribu-
14 tion.

15 Any expenditure or contribution disclosed in a pre-
16 vious reporting period is not required to be included
17 in the current reporting period.

18 “(4) CONTRACTS TO SPEND OR CONTRIBUTE.—
19 For purposes of this subsection, a person shall be
20 treated as having made an expenditure or contribu-
21 tion if the person has contracted or is otherwise obli-
22 gated to make the expenditure or contribution.

23 “(5) COORDINATION WITH OTHER REQUIRE-
24 MENTS.—This subsection shall not apply—

1 “(A) to any person required (without re-
2 gard to this subsection) to report under the
3 Federal Election Campaign Act of 1971 (2
4 U.S.C. 431 et seq.) as a political committee,

5 “(B) to any State or local committee of a
6 political party or political committee of a State
7 or local candidate,

8 “(C) to any organization which reasonably
9 anticipates that it will not have gross receipts
10 of \$25,000 or more for any taxable year,

11 “(D) to any organization to which this sec-
12 tion applies solely by reason of subsection
13 (f)(1), or

14 “(E) with respect to any expenditure which
15 is an independent expenditure (as defined in
16 section 301 of such Act).

17 “(6) ELECTION.—For purposes of this sub-
18 section, the term ‘election’ means—

19 “(A) a general, special, primary, or runoff
20 election for a Federal office,

21 “(B) a convention or caucus of a political
22 party which has authority to nominate a can-
23 didate for Federal office,

“(C) a primary election held for the selection of delegates to a national nominating convention of a political party, or

“(D) a primary election held for the expression of a preference for the nomination of individuals for election to the office of President.”.

(b) PUBLIC DISCLOSURE OF REPORTS.—

(1) IN GENERAL.—Section 6104(d) of the Internal Revenue Code of 1986 (relating to public inspection of certain annual returns and applications for exemption), as amended by section 1(b)(4), is amended—

(A) by inserting “REPORTS,” after “RETURNS,” in the heading,

(B) in paragraph (1)(A), by striking “and” at the end of clause (i), by inserting “and” at the end of clause (ii), and by inserting after clause (ii) the following new clause:

“(iii) the reports filed under section 527(j) (relating to required disclosure of expenditures and contributions) by such organization,” and

(C) in paragraph (1)(B), by inserting “, reports,” after “return”.

1 (2) DISCLOSURE OF CONTRIBUTORS AL-
 2 LOWED.—Section 6104(d)(3)(A) of such Code (relat-
 3 ing to nondisclosure of contributors, etc.) is amend-
 4 ed by inserting “or a political organization exempt
 5 from taxation under section 527” after “509(a))”.

6 (3) DISCLOSURE BY INTERNAL REVENUE SERV-
 7 ICE.—Section 6104(d) of such Code is amended by
 8 adding at the end the following new paragraph:

9 “(6) DISCLOSURE OF REPORTS BY INTERNAL
 10 REVENUE SERVICE.—Any report filed by an organi-
 11 zation under section 527(j) (relating to required dis-
 12 closure of expenditures and contributions) shall be
 13 made available to the public at such times and in
 14 such places as the Secretary may prescribe.”.

15 (c) FAILURE TO MAKE PUBLIC.—Section
 16 6652(c)(1)(C) of the Internal Revenue Code of 1986 (re-
 17 lating to public inspection of annual returns) is
 18 amended—

19 (1) by inserting “or report required under sec-
 20 tion 527(j)” after “filing”),

21 (2) by inserting “or report” after “1 return”,
 22 and

23 (3) by inserting “AND REPORTS” after “RE-
 24 TURNS” in the heading.

1 (d) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply to expenditures made and con-
 3 tributions received after the date of enactment of this Act,
 4 except that such amendment shall not apply to expendi-
 5 tures made, or contributions received, after such date pur-
 6 suant to a contract entered into on or before such date.

7 **SEC. 3. RETURN REQUIREMENTS RELATING TO SECTION**
 8 **527 ORGANIZATIONS.**

9 (a) RETURN REQUIREMENTS.—

10 (1) ORGANIZATIONS REQUIRED TO FILE.—Sec-
 11 tion 6012(a)(6) of the Internal Revenue Code of
 12 1986 (relating to political organizations required to
 13 make returns of income) is amended by inserting
 14 “or which has gross receipts of \$25,000 or more for
 15 the taxable year (other than an organization to
 16 which section 527 applies solely by reason of sub-
 17 section (f)(1) of such section)” after “taxable year”.

18 (2) INFORMATION REQUIRED TO BE INCLUDED
 19 ON RETURN.—Section 6033 of such Code (relating
 20 to returns by exempt organizations) is amended by
 21 redesignating subsection (g) as subsection (h) and
 22 inserting after subsection (f) the following new sub-
 23 section:

1 “(g) RETURNS REQUIRED BY POLITICAL ORGANIZA-
 2 TIONS.—In the case of a political organization required
 3 to file a return under section 6012(a)(6)—

4 “(1) such organization shall file a return—

5 “(A) containing the information required,
 6 and complying with the other requirements,
 7 under subsection (a)(1) for organizations ex-
 8 empt from taxation under section 501(a), and

9 “(B) containing such other information as
 10 the Secretary deems necessary to carry out the
 11 provisions of this subsection, and

12 “(2) subsection (a)(2)(B) (relating to discre-
 13 tionary exceptions) shall apply with respect to such
 14 return.”.

15 (b) PUBLIC DISCLOSURE OF RETURNS.—

16 (1) RETURNS MADE AVAILABLE BY SEC-
 17 RETARY.—

18 (A) IN GENERAL.—Section 6104(b) of the
 19 Internal Revenue Code of 1986 (relating to in-
 20 spection of annual information returns) is
 21 amended by inserting “6012(a)(6),” before
 22 “6033”.

23 (B) CONTRIBUTOR INFORMATION.—Sec-
 24 tion 6104(b) of such Code is amended by in-

1 serting “or a political organization exempt from
2 taxation under section 527” after “509(a)”.

3 (2) RETURNS MADE AVAILABLE BY ORGANIZA-
4 TIONS.—

5 (A) IN GENERAL.—Paragraph (1)(A)(i) of
6 section 6104(d) of such Code (relating to public
7 inspection of certain annual returns, reports,
8 applications for exemption, and notices of sta-
9 tus) is amended by inserting “or section
10 6012(a)(6) (relating to returns by political or-
11 ganizations)” after “organizations”).

12 (B) CONFORMING AMENDMENTS.—

13 (i) Section 6104(d)(1) of such Code is
14 amended in the matter preceding subpara-
15 graph (A) by inserting “or an organization
16 exempt from taxation under section
17 527(a)” after “501(a)”.

18 (ii) Section 6104(d)(2) of such Code
19 is amended by inserting “or section
20 6012(a)(6)” after “section 6033”.

21 (c) FAILURE TO FILE RETURN.—Section 6652(c)(1)
22 of the Internal Revenue Code of 1986 (relating to annual
23 returns under section 6033) is amended—

1 (1) by inserting “or section 6012(c)(6) (relating
2 to returns by political organizations)” after “organi-
3 zations)” in subparagraph (A)(i),

4 (2) by inserting “or section 6012(c)(6)” after
5 “section 6033” in subparagraph (A)(ii),

6 (3) by inserting “or section 6012(c)(6)” after
7 “section 6033” in the third sentence of subpara-
8 graph (A), and

9 (4) by inserting “OR 6012(c)(6)” after “SECTION
10 6033” in the heading.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to returns for taxable years begin-
13 ning after June 30, 2000.

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